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C O N F I D E N T I A L SECTION 01 OF 04 HARARE 001322

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AF/S FOR B. NEULING, NSC FOR SENIOR AFRICA DIRECTOR C.
COURVILLE, TREASURY FOR J. RALYEA AND B. CUSHMAN

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PHUM](#) [PREL](#) [ZI](#)

SUBJECT: SIMBA MAKONI - DISILLUSTIONED AND IN-THE-WAITING

Classified By: Ambassador Christopher Dell under Section 1.4 b/d

1. (C) Summary: During a September 21 meeting, Politburo member and ex-Finance Minister Dr. Simba Makoni told the Ambassador there was much more questioning of policy by government insiders since Operation Restore Order. Mugabe, however, was out of touch with reality, his mind blocked to what was happening on the ground. Like his ministers, he was closed to learning from experience. Makoni rued the lack of rational and informed discussion of economic policy at the highest levels of government. He disparaged Reserve Bank Governor Gono handling of the food and forex crises and the decision to pay down an unexpectedly large amount of arrears to the IMF. He maintained that all responsible ministers had known about the impending food shortages since March, but the information had not reached Mugabe, who, in any case, lacked the will to act on it. Makoni said Zimbabwe had the capacity to fend for itself, solve its own problems, and would eventually pull itself out of its dire straights. End Summary.

Operation Restore Order nterest Will Peter Out

2. (C) At a meeting with the Ambassador at Makoni's modest company office in an industrial section of Harare, the Ambassador asked him whether Operation Restore Order had affected Makoni own farming village. Makoni described how the thatched and brick buildings along the road to his farm had been reduced to rubble and a nearby settlement leveled to the ground. Many people were still living in the open as the rainy season approached, but shacks were also being reconstructed. Since Operation Restore Order, Makoni said there was much more questioning of policy "by us on the inside" than ever before. Asked how the blame game would play out, he said Mugabe had distanced himself from the Operation; Ignatius Chombo, Minister of Local Government, Public Works and Urban Development, was a prime candidate for accountability, but, he proceeded cryptically, "not the mastermind." Nevertheless, he said the Operation could only have been carried out with Mugabe's approval, "he not that distant."

3. (C) Makoni opined that interest in the Operation could peter out, "vanish," with no one ultimately taken to task. At the Ambassador suggestion that accountability did not necessarily stop at Zimbabwe border, and a day of reckoning could come, Makoni replied that Operation Restore Order will be only one of many ill-advised things that happened under the present regime, and, when Mugabe is gone, all blame will be placed squarely on Mugabe.

Mugabe ut of Touch

4. (C) Makoni painted a picture of Mugabe as out of touch with reality. He has blocked his mind to many things, knows little about what is happening "out there," and is surrounded by ministers equally closed to learning from experience. During Mugabe's tour of the Annual Harare Agricultural Fair in mid August, for example, the seed companies assured him there was an adequate supply of maize seed in the country. According to Makoni, Mugabe "hit the roof" when he recently became aware of the dire state of seed availability. Noting that moving people from shacks into decent homes had been a cornerstone of the ZANU-PF party program, Makoni was incredulous that Mugabe had failed to visit a single Operation Restore Order or Garikai site. Makoni maintained Mugabe wanted to hear that the government has met Garikai's targets, and that's what he is told. Queried by the Ambassador whether Mugabe would act on information if he understood the problems, Makoni replied negatively. To illustrate, he described Mugabe's outrage upon learning in a 2002 government audit of the multiple ownership and underutilization of farms by government officials. Pointing out that Makoni himself had two farms, Chombo four, and Minister of State for National

Security Mutasa five, Mugabe said, "We have to lead by example." Yet he never took any action. Citing the astronomical cost of rice and potatoes compared to maize, Makoni described as "incredible" Mugabe's suggestion during his recent visit to the UN General Assembly that Zimbabweans consume those staples if maize is not available.

15. (C) At some length, Makoni depicted how Mugabe could not accept that the market could best determine the currency exchange rate. Makoni recounted how Mugabe had grudgingly agreed to devalue the currency from Z\$38:1 to Z\$55:1 when Makoni was Finance Minister (the official rate today is Z\$26,002:1; the parallel rate is Z\$65,000:1). Mugabe reminded him often that the Zim dollar had been more valuable than the US dollar at independence. When the exchange rate was Zim\$8,000:1, Mugabe was accessing US dollars at Zim\$55:1, according to Makoni. He said Mugabe viewed himself as an economist, and, in numerous discussions, had dismissed the ex-Finance Minister as "a chemist" (Note: Makoni has a PhD in chemistry) and his explanation of market forces as mere "textbook economics."

The Food and Forex Crises ono's own mess

16. (C) Makoni repeatedly disparaged Reserve Bank Governor Gono's handling of the forex and food production crises, and his public comments, most recently, that the private sector should generate its own forex and not rely on the RBZ, or that farmers should produce more even without fertilizer. He recounted Gono's broken promises to farmers that a share of their forex earnings would be available to purchase inputs. Gono announced financial support to the agriculture sector, but, in the end, "no one gets the funds." Makoni pointed out the considerable room for arbitrage under a centralized authority, and drew attention to the way in which the system fed into power plays, with "everyone coming around with a need." He described the forex shortage as a symptom, not the cause, of Zimbabwe's economic distress.

17. (C) Makoni characterized the food situation as critical, even if adequate rains came, as the land was unprepared for planting. State intervention in the sector was necessary under these conditions of acute shortage, but the action had to be rational and informed by what works in the market. The government, on the other hand, favored a command and control approach. He said all responsible Ministers had known about the impending food shortage since March, but the information had not reached Mugabe. He derided Agriculture Minister Made as living "far from reality," noting, as an example, his plan to designate 200 farmers per province, agriculturally productive or not, to produce 50 ha of maize each. In animated detail, he described the irrationality, inefficiency, and inflexibility of the administrative hurdles he was personally confronting to get the RBZ to release forex for his farm inputs. He regarded the obstacles as insurmountable for most small farmers and many large ones as well, resulting in the extremely weak uptake by farmers of available financing facilities.

18. (C) Makoni posed the question why Gono had made such a large payment to the IMF. He opined that a US\$40 million or smaller arrears payment would have sufficed to gain a reprieve. The large payment had dried up forex allocations to the private sector for three months and exacerbated the fuel crisis. He deplored the absence of rational conversation or meeting of minds at the top level on how to handle the IMF vote. While the business community discussed economic policy with some Ministers, there was no discussion among the top leadership in government or even the next ring of players. In Mugabe's opinion, the IMF advised devaluation so that Zimbabwe would lose international esteem; the market manipulated exchange rates, and in Zimbabwe's case, the country's enemies were behind the manipulation.

Makoni - "Mentally Troubled", but "We l Come Out of It"

19. (C) Asked initially by the Ambassador how he was, Makoni replied, "mentally troubled." Queried later where it would all end, he replied, "nobody knows." Makoni said Zimbabwe was bankrupt in 1999, but Mugabe maintains a country can never go bankrupt and the state will always survive. Makoni lamented the comfort the government took in favorable comparisons of Zimbabwe with less developed neighbors. He, on the other hand, would compare Zimbabwe today with where it used to be and where it should be, had it been better managed. He said Zimbabwean agriculture had always produced, drought or no drought, and

enthusiastically recalled the days of competitions among farmers to produce 10 tons of maize on a hectare of land. Drawing on the Ambassador reference to the strong inflow of assistance to Mozambique and Zambia, he exclaimed that Zimbabwe had the capacity to fend for itself and solve its own problems. His parting words were, "We l come out of it."

Bio Notes

10. (C) Makoni, the only member of the Politburo not under U.S. sanctions (but subject since March 2002 to EU sanctions), can barely hide his disillusionment with the state of Zimbabwe's political leadership and economy. Out of the domestic limelight for the past 3 1/2 years, apart from his recent bid for the presidency of the African Development Bank, he is pursuing his farming interests in Manicaland East with gusto and his business interests in town. The youngest member of the Cabinet at Independence, he owes his rapid rise to power to Mugabe. Yet Mugabe failed to come to his rescue in 1996, when, as CEO of the Herald Group, he clashed with Herald editor Chikerema over editorial policy. Joyce Mujuru, then Minister of Information (and now Vice President), took the editor side and Makoni lost his job. Makoni lost a 2000 primary election bid to Chipanga, a former CIO Director. According to an Embassy Foreign Service National well connected to the Makoni family, he felt the old guard, especially Didymus Mutasa, had conspired against him. According to the FSN, Makoni two adult sons were illegal drug abusers; one committed suicide in Cape Town, South Africa, the other resides in Ireland, estranged from the family.

Comment

(11) (C) Makoni said mostly all the right things and he's clearly at pains to continue cultivating a good relationship and the image of himself as a ZANU-PF leader we could work with. Although ousted by Mugabe as an economic saboteur over exchange rate liberalization in 2002, as a member of the Politburo he still has Mugabe's ear and reportedly has been consulted by Vice President Mujuru of late. As recently as today his name was floated in the local independent press as a possible successor to Mugabe with the support of the Mujuru faction in ZANU-PF. He remains a ZANU-PF party man to the core, even as he openly criticizes them. Outside the limelight, he remains relatively untouched by scandal. His name has been floated as a potential "superminister" of economic affairs under a Mujuru government, or even successor to Mujuru, when the day comes. As Gono's name has also been floated, it was illuminating to hear Makoni's rancorous take on Gono. Makoni painted a picture of ZANU-PF asleep at the wheel, Mugabe out of touch with reality, and Gono incapable of managing the economy, which leaves Makoni, at least in his own mind, as the party's best hope for meaningful re-engagement with the international community.
DELL